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State of Idaho

Legislative Services Office

Management Report

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A communication to the Joint Finance-Appropriations Committee

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**DEPARTMENT OF COMMERCE  
AND LABOR**

**FY 2004, 2005, and 2006**

**Report IC24006/SA24006/CA24006**

*Serving Idaho's Citizen Legislature*

# FOREWORD

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## PURPOSE OF REPORT

Financial procedures were applied at the Department of Commerce and Labor. These procedures, combined with audit work performed at other agencies, including the State Controller's Office, allow us to give our opinion on the statewide basic financial statements prepared by the State Controller's Office. The work was performed in accordance with government auditing standards issued by the Comptroller General of the United States. In addition, appropriate procedures and required tests were performed for major federal programs, if any, in order to issue the *Single Audit Report*, as required by *OMB Circular A-133*. This report summarizes the procedures and their results.

## SCOPE OF WORK

The financial audit procedures applied are based on the materiality of the various financial segments, assessment of risk of material misstatement, and legislative or public interest. The limited procedures applied at the Department for fiscal years 2004, 2005, and 2006 include, if applicable:

- Audit applications, including substantive tests, to the financial segments material to the statewide audit.
- Internal control review of significant financial segments.
- Compliance work of both federal and State issues.
- Follow-up of prior findings and recommendations.
- Findings and recommendations to strengthen and improve operations or reduce the risk of material misstatement.

## AUDIT AUTHORIZATION

Reported to the Joint Finance-Appropriations Committee as directed by the Legislative Council of the Idaho Legislature, authorized by Idaho Code, Section 67-429.

## ASSIGNED STAFF

Cliff Larson, CPA, CGFM, Auditor-in-Charge  
Linda Brown, Staff Auditor  
Shannon Thomas, Staff Auditor  
Eric Bjork, Staff Auditor  
Brinton Croff, Staff Auditor

## ADMINISTRATION AND TECHNICAL REVIEW

Don H. Berg, CGFM, Manager, Legislative Audits Division  
Eugene Sparks, CPA, CGFM, Managing Auditor

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## EXECUTIVE SUMMARY LEGISLATIVE AUDITS

### DEPARTMENT OF COMMERCE AND LABOR

**PURPOSE AND SCOPE.** We have completed certain financial audit procedures on the Department of Commerce and Labor's financial activities that occurred during the fiscal years ended June 30, 2004, 2005, and 2006. These procedures, together with procedures performed at other State agencies, allow us to express our opinion on the statewide basic financial statements prepared by the State Controller's Office. Since a major federal program was present, appropriate procedures and required tests were performed in order to issue the federally required *Single Audit Report*.

**CONCLUSION.** We conclude that the financial operations of the Department meet acceptable standards, and that it complies with laws, regulations, rules, grant agreements, and contracts for which we tested compliance.

**FINDINGS AND RECOMMENDATIONS.** There are no findings and recommendations in this report or the prior report.

**AGENCY RESPONSE.** The Department has reviewed the report and concurs with its contents.

**FINANCIAL SUMMARY.** The procedures completed and described above help us express our opinion on the fairness of presentation of the *Statewide Comprehensive Annual Financial Report (CAFR)*. Although no opinion is given on the financial data presented in this report, one is given on all State funds in the *CAFR*, including the financial data presented here.

#### IDAHO DEPARTMENT OF COMMERCE AND LABOR – FINANCIAL SUMMARY

##### FISCAL YEAR 2006

Fund No.	Title	Beginning Appropriation/ Cash Balance	Plus Receipts	Transfers In	Less Disbursements	Transfers Out	Ending Appropriation/ Cash Balance
0001	General Fund	\$9,977,610	\$0	\$0	\$6,510,980	\$0	\$3,466,630
0125	Indirect Cost Recovery	9,159	0	59,394	59,019	0	9,534
0150	Budget Stabilization	0	0	78,581	78,581	0	0
0212	Idaho Travel and Convention	4,280,519	1,570	6,282,022	5,912,834	0	4,651,277
0302	Unemployment Penalty and Interest	754,038	6,020	729,068	1,175,037	0	314,089
0303	Employ. Security Special Admin.	8,162,106	4,563,438	0	6,955,852	0	5,769,692
0305	Workforce Development Training	10,212,697	391,014	4,366,432	3,784,766	0	11,185,377
0348	Federal	(69,828)	55,698,477	0	57,216,100	59,394	(1,646,845)*
0349	Miscellaneous Revenue	682,495	2,891,332	100,000	3,165,833	0	507,994
0401	Seminars and Publications	74,903	188,996	25,000	213,587	0	75,312
0514	Employment Security Fund	2,131,518	159,444,118	116,630,332	108,503,810	159,897,369	9,804,789
0575	Labor, Wage, and Hour Claims	22,263	107,129	0	100,305	0	29,087
0577	Labor, Wage, and Hour Escrow	214	1	0	161	0	54
	Totals	\$36,237,694	\$223,292,095	\$128,270,829	\$193,676,865	\$159,956,763	\$34,166,990

A negative cash balance is normal, due to delays in recording federal reimbursements.

**OTHER ISSUES.** We discussed other, less important issues which, if changed, would improve internal control, ensure compliance, or improve efficiency.

This report is intended solely for the information and use of the Idaho Department of Commerce and Labor and the Idaho Legislature and is not intended to be, and should not be, used by anyone other than these specified parties.

We appreciate the cooperation and assistance given to us by the director, Roger Madsen, and his staff.

**QUESTIONS CONCERNING THIS DOCUMENT SHOULD BE DIRECTED TO:**

Don H. Berg, CGFM, Manager, Legislative Audits Division

Eugene Sparks, CPA, CGFM, Managing Auditor

Report IC24006/CA24006/SA24006

# AGENCY RESPONSE

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C.L. "BUTCH" OTTER, GOVERNOR  
ROGER B. MADSEN, DIRECTOR

April 12, 2007

Don H. Berg, CGFM, Manager  
Legislative Audits  
Legislative Services Office  
Statehouse Mail

SUBJECT: FY 2004, 2005, & 2006 Financial Procedures Report on the Idaho Department  
of Commerce and Labor

Dear Mr. Berg:

The Idaho Department of Commerce & Labor concurs with your FY 2004, 2005, & 2006 Report of Financial Procedures, for the Department of Commerce & Labor. I would like to thank your staff, particularly Gene Sparks, for their patience and professionalism during this audit. I value your independent assessment of the Department's operations, and welcome your advice and assistance.

Sincerely,

A handwritten signature in black ink, appearing to read "Roger B. Madsen". The signature is fluid and cursive.

Roger B. Madsen  
Director

# APPENDIX

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## HISTORY

The Idaho Department of Commerce and the Idaho Department of Labor were merged to form the Idaho Department of Commerce and Labor in state fiscal year 2005.

The purpose of the merger was to maximize resources, streamline service delivery, and formalize a long-standing partnership between the agencies by linking the economic, community and work force development services.

The Department of Labor's 24 local Job Service offices became Idaho Commerce and Labor offices, providing the Department with more eyes and ears attuned to economic development opportunities and a more efficient working relationship with local governments.

The Commerce and Labor divisions of the merged agency continue to perform core functions. The Commerce Division fosters job creation, strengthens communities, and markets Idaho, but with access to a greater pool of resources and employees.

The Labor Division supports employment and training needs of Idaho businesses and helps the unemployed find jobs and the under-employed find even better jobs in conjunction with the campaign to convince existing businesses to expand and lure new business from other states.

## COUNCILS FOR COMMERCE

As required by Idaho Code, Section 67-4704, the Governor appoints an Economic Advisory Council to assist the director. This council is made up of six members representing each of the six planning regions of the State. Membership is divided between political parties. This council assists the Department in preparing and executing plans, projects, and programs.

The Governor also appoints an Idaho Travel Council in accordance with Idaho Code, Section 67-4712. The Council consists of eight members, seven representing Idaho's seven travel regions and one appointed at-large. Council members must be actively involved in the State's travel and convention industry to receive appointment. The Council advises the Department on matters concerning promotion and marketing of Idaho tourism. The Council also reviews and recommends acceptance or denial of local grant requests submitted by nonprofit groups or organizations.



## **COUNCILS FOR LABOR**

The Governor appoints the Workforce Development Council consisting of not more than 33 members from business and industry, education and organized labor, as well several government agencies.

The council is responsible for advising the Governor and the State Board of Education on issues surrounding workforce development, development of statewide employment statistics and labor market information, and any incentive grants under section 503 of the Workforce Investment Act. The council is also responsible for approval and oversight of the expenditures from the Department of Commerce and Labor Special Administration Fund as set forth in Section 72-1347A, Idaho Code; development and oversight of procedures, criteria, and performance measures for the Workforce Development Training fund established under Section 72-1347B, Idaho Code; and other duties as the Governor assigns. The Governor appoints the chair and vice-chair from among the private sector members of the council. Council members serve at the pleasure of the Governor, and appointments are for three-year terms.

## **MISSION**

The mission of the Department is to create jobs, strengthen communities, and market Idaho.

## **STATUTORY AUTHORITY**

The primary laws under which the Department of Labor operates are:

- Employment Security Law, Title 72, Chapter 13, Idaho Code
- Wagner-Peyser Act of 1933, as amended
- Social Security Act of 1935, as amended
- Federal Unemployment Tax Act
- Job Training Partnership Act of 1982, through 2001
- Workforce Investment Act of 1998, as amended

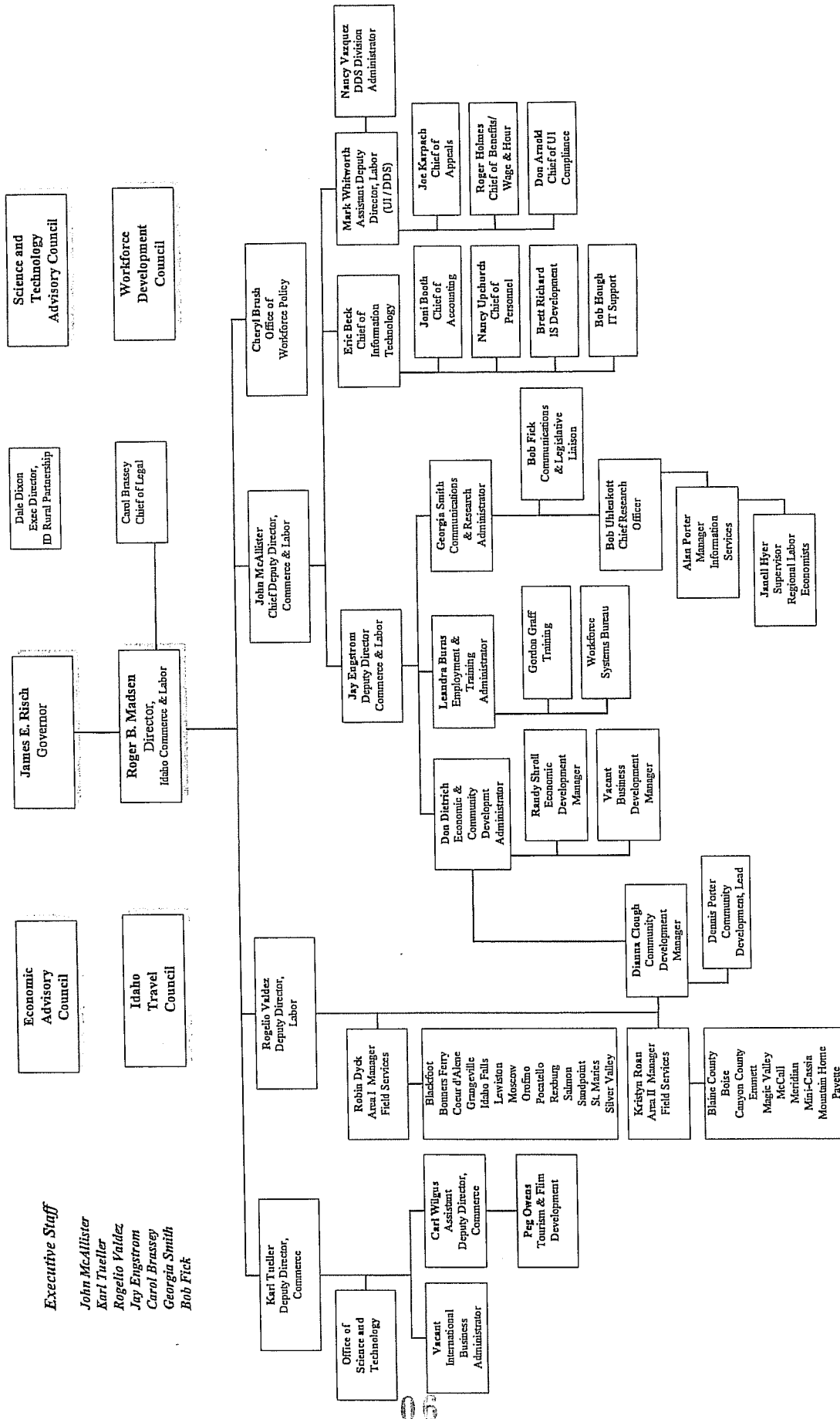
The primary laws under which the Department of Commerce operates are:

- Idaho Code, Section 67-4701 through 67-4725

The director of the Idaho Department of Commerce and Labor is appointed by the Governor. An organizational chart follows.

# IDAHO COMMERCE & LABOR

DECEMBER 1, 2006



## Executive Staff

John McAllister  
Karl Tuelker  
Rogelio Valdez  
Jay Engstrom  
Carol Brassey  
Georgia Smith  
Bob Fick